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## Korea, Republic of

### Grain and Feed

### Corn PS&D Update

### 2004

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**Report Highlights:**

Faced with uncertainty about China's policy on corn exports, Korean and Chinese traders succeeded in shifting corn deliveries contracted for January '04 to December '03. Korean feed millers are now tendering for optional origin corn with Brazil, the United States and possibly other origins as the likely suppliers of Korean demand left unmet by China.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Seoul [KS1]  
[KS]

In MY 2003/04, Korean corn imports are forecast to reach 9.6 million metric tons (MMT); an 800,000 MT increase over MY 2002/03. Reduced world supplies of feed wheat are expected to drive the increase in corn imports. Korean feed wheat consumption, which amounted to 1.6 MMT in MY 2002/03, is expected to decline to 600,000 MT in MY 2003/04. The reduction in feed wheat consumption is expected to be offset by a 1 MMT increase in corn consumption for feed.

Reflecting the uncertainty surrounding China's policy on corn exports in 2004, Korean and Chinese traders shifted delivery of corn contracted to arrive in January 2004 to December 2003. The Chinese corn shifted from January to December delivery was contracted prior to China's retreat from corn exports. Since China's retreat from corn exports, Korean buyers have contracted for optional origin purchases through March 2004.

Based on admittedly meager information, local grain traders speculate that Chinese corn may become available in the second half of 2004. Traders suggest that, unless China returns to corn market by the end of September 2004, a good opportunity will exist for the United States to recover a significant share of Korean feed corn purchases.

Recognizing that the U.S. share of the Korean corn market is largely dependent on the Chinese government's pending export policy decisions, we project that U.S. exports to Korea will reach 2 MMT in MY 2003/04. The projection is based on an assumption that Chinese corn exports will be limited in the first half of CY 2004. Our assumption is supported by reports from local traders indicating some optional origin sales for February delivery have already been declared for U.S. corn. Korea is expected to turn to Brazil in the absence of ample Chinese corn supplies for additional non-GM corn used by Korean corn processors to produce products for human consumption.

MY 2002/03 corn imports were revised to 8.8 MMT based on Korea Customs Service data; a slight reduction from the previous estimate of 8.9 MMT. U. S. corn exports fell to 330,000 MT (4 percent of total corn imports) due to intense price competition from Chinese corn in both the feed and processing markets.

Total compound feed production is expected to remain unchanged from the previous year in MY 2003/04 reflecting mixed demand from livestock and poultry producers. Outbreaks of diseases in the swine and poultry sectors at the end of CY 2003 dampened consumption of mixed feed. However, hog growers continue to maintain inventories despite reported low profit margins. Intense media coverage of Korea's avian influenza outbreak and the BSE case in the United States should support pork consumption and production. Beef cattle inventories have increased since 2002 and are accounting for more mixed feed consumption. Dairy cattle inventories continue to decrease in response to low milk prices.

## PSD Table

Country Commodity	Korea, Republic of Corn						UOM
				(1000 HA)	(1000 MT)		
	2001	Revised	2002	Estimate	2003	Forecast	
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		10/2001		10/2002		10/2003	MM/YYYY
Area Harvested	14	14	17	17	17	17	(1000 HA)
Beginning Stocks	1229	1417	1172	1341	1275	1426	(1000 MT)
Production	57	57	73	73	70	70	(1000 MT)
TOTAL Mkt. Yr. Imports	8621	8602	9000	8794	9500	9600	(1000 MT)
Oct-Sep Imports	8621	8602	9000	8794	9500	9600	(1000 MT)
Oct-Sep Import U.S.	1088	1598	0	330	0	2000	(1000 MT)
TOTAL SUPPLY	9907	10076	10245	10208	10845	11096	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	6584	6584	6700	6569	7300	7400	(1000 MT)
TOTAL Dom. Consumption	8735	8735	8970	8782	9570	9670	(1000 MT)
Ending Stocks	1172	1341	1275	1426	1275	1426	(1000 MT)
TOTAL DISTRIBUTION	9907	10076	10245	10208	10845	11096	(1000 MT)

## Import Trade Matrix

Country		Korea, Republic of	
Commodity		Corn	
Time period	OCT/SEPT	Units:	OCT?SEPT
Imports for:	2001		2002
U.S.	1598	U.S.	330
Others		Others	
China	4044	China	7811
Brazil	1874	Brazil	635
Argentina	1076		
Total for Others	6994		8446
Others not Listed	10		18
Grand Total	8602		8794

Source: Korea Customs Service (KCS)

Korea: MY 2003/04 Monthly Corn Imports By Origin and Use (1,000 mt, based on Customs Clearance)					
Country	U. S.	China	Brazil	Other	Total
Feed Corn					
Oct.	0	666	0	0	666
Nov.	33	416	0	0	449
Processing					
Oct.	2	100	98	1	201
Nov.	1	91	63	0	155
Total					
Oct.	2	766	98	1	867
Nov.	33	506	63	0	603

Source: Korea Customs Service

Korea: MY 2003/04 Corn Contracts (1,000 mt, as of January 6, 2004)					
ETA Korea	U.S.	China	South America	Optional	Total
Oct	0	417.5	52.5	157	627
Nov	0	405	52.5	40	497.5
Dec	0	722.5	0	30	752.5
Jan a/	0	711	0	104.5	815.5
Feb a/	0	52.5	0	426	478.5
Mar	0	0	0	515	515
Total	0	2,308	105	1,272.5	3,686

a/ Chinese corn contracts to be delivered on Jan/Feb 2004 has already arrived in Korean by early January 2004 due to China's retreat from corn exports

Source: Grain Traders

Korea: Corn Imports (1,000MT, Customs Cleared Basis)							
Marketing Year	From World			From the U. S.			U. S. Share
	Feed	Ind.	Total	Feed	Ind.	Total	%
93/94	4,049	1,647	5,696	199	181	380	7
94/95	6,463	1,760	8,223	6,192	1,420	7,612	93
95/96	7,166	1,797	8,963	6,855	1,699	8,554	95
96/97	6,455	1,881	8,336	3,869	1,629	5,498	66
97/98	5,755	1,773	7,528	1,610	1,699	3,309	44
98/99	5,593	1,921	7,514	4,543	1,891	6,434	86
99/00	6,618	2,060	8,678	1,610	1,620	3,230	37
00/01	6,568	2,155	8,723	2,169	1,120	3,289	38
01/02	6,474	2,128	8,602	1,487	111	1,598	19
02/03	6,657	2,137	8,794	306	24	330	4
03/04a/	7,400	2,200	9,600	na	na	Na	na

a/ FAS/Seoul forecast.

Source: FAS Seoul

Korea: Total Corn Utilization (Oct./Sept., 1,000 MT)				
Marketing Year	Feed	Processing a/	Food b/	Total
1997/98	5,875	1,715	83	7,673
1998/99	5,560	1,886	80	7,526
1999/00	6,541	2,004	79	8,624
2000/01	6,460	2,092	64	8,616
2001/02	6,584	2,094	57	8,735
2002/03	6,569	2,145	68	8,782
2003/04 c/	7,400	2,200	70	9,670

a/ Used for wet and dry milling process based on imported corn.

b/ for on-farm human consumption (on-the-cob) or snack food consumed on the cob, as puffed kernels or corn tea.

c/ FAS Seoul forecast.

Source: Korean Feed Association (KFA) and Korea Corn Processing Industry Association (KOCPIA).

Korea: Feed Ingredient Use for Compound Feed Production (October/September, 1,000 MT)			
Items	MY 2001/02	MY 2002/03	MY 2003/04 a/
<b>Sub. Total Grains and Grain Substitutes</b>	<b>10,078</b>	<b>10,124</b>	<b>10,150</b>
- Wheat	1,508	1,608	600
- Corn	6,584	6,569	7,400
- Rye	83	52	na
- Barley	30	3	na
- Other Grains and Grain Substitute	1,873	1,892	2,150
<b>Others</b>	<b>5,302</b>	<b>5,296</b>	<b>5,300</b>
<b>Grand Total</b>	<b>15,380</b>	<b>15,420</b>	<b>15,450</b>

a/ FAS Seoul forecast.

Source: Korea Feed Association (KFA)

Korea: Feed Production per Animal (October/September, 1,000 MT)			
Animal Type	MY2001/02	MY2002/03	MY2003/04 a/
Poultry	4,021	3,917	3,800
Swine	5,856	5,769	5,800
Cattle	4,440	4,611	4,700
Others b/	1,022	1,052	1,100
<b>Total</b>	<b>15,339</b>	<b>15,349</b>	<b>15,400</b>

a/ FAS/ Seoul forecast

b/ include ducks, pet food, rabbit, horse, sheep, deer, quail etc.

Source: Korea Feed Association (KFA)

Korea: Animal Inventory (1,000 Heads, 1,000 Birds)					
Animal	Year	March	June	September	December
Beef Cattle	2002	1,371	1,448	1,461	1,410
	2003	1,337	1,423	1,464	1,448
	2004	1,458	na	na	na
Dairy Cattle	2002	548	545	543	544
	2003	552	541	526	527
	2004	529	na	na	na
Swine	2002	8,719	8,791	9,033	8,974
	2003	9,027	9,050	9,287	9,150
	2004	9,120	na	na	na
Layer a/	2002	50,471	49,589	50,299	50,191
	2003	48,740	49,100	49,380	49,510
	2004	48,720	na	na	na
Broiler b/	2002	52,436	72,193	47,118	45,005
	2003	47,490	66,760	41,960	42,140
	2004	44,000	na	na	na

a/ excluded breeder.

b/ excluded Multi-Use broilers.

Source: Korea Rural Economic Institute(KREI)